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Lehi, UT 84043

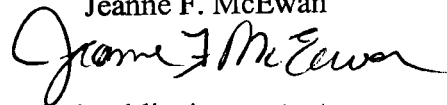
We have compiled the Combined Balance Sheet of Lehi Metropolitan Water District as of June 30, 2004 and June 30, 2005 and the accompanying Combined Statements of Revenue and Expenses and Changes in Fund Balance and Statement of Cash Flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

During the preparation of these financial statements we have not found any practices which would cause the Water District's operations and activities to be out of compliance with the fiscal laws of the State of Utah governing such non profit entities.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

November 8, 2005

Jeanne F. McEwan



Certified Public Accountant

LEHI METROPOLITAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2005

The purpose of Lehi Metropolitan Water District (LMWD) is to provide adequate water shares and/or rights for use by those residents of the greater Lehi area. As is commonly known, Lehi is experiencing great residential growth. In order to accommodate this growing demand for water, greater volumes of both purchases and sales of water shares and rights have transpired over the past several years. With growth expected to continue, we anticipate this larger volume of activity to continue.

In April of 2004 a significant sale of water was made to a large developer in the area identified as Fieldstone. This sale resulted in an approximately 25 percent reduction in our inventory of water stock. We received a bond for over one million dollars as part of this transaction. The bond is to be satisfied in the fall of 2005 as disclosed in the following financial statements. Upon receipt of the bond proceeds LMWD anticipates purchasing a significant amount of water shares and rights to increase inventory to approximate previous levels. During the course of the FY management continued to monitor inventory levels to keep them approximately level as is evidenced by the relatively small decrease in both value and shares of water over the FY. Through communication with city officials management continues to evaluate demand for water and takes great care in keeping supplied for the anticipated growth.

Revenues received during the FY did allow for a reduction of debt. In addition, cash management during the year resulted in greater interest earnings.

LEHI METROPOLITAN WATER DISTRICT
COMBINED BALANCE SHEET
JUNE 30, 2004 AND JUNE 30, 2005

ASSETS	<u>6/30/05</u>	<u>6/30/04</u>
Unrestricted:		
Cash	\$ 220,496	\$ 357,647
Long Term Savings (Note C)	343,908	138,873
Inventory in Water Stock (Note D)	1,564,180	1,625,936
Fieldstone Bond (Note E)	<u>1,005,300</u>	<u>1,005,300</u>
Total Assets (Unrestricted)	<u>\$ 3,133,884</u>	<u>\$ 3,127,756</u>

LIABILITIES & FUND BALANCE

Refundable Water Deposits (Note F)	\$ 2,000	\$ 2,000
Loan from Lehi City	-	138,700
Fund Balance	<u>3,131,884</u>	<u>2,987,056</u>
Total Liabilites and Fund Balance	<u>\$ 3,133,884</u>	<u>\$ 3,127,756</u>

The accompanying notes are an integral part of these financial statements.
See the accompanying accountant's compilation report.

**LEHI METROPOLITAN WATER DISTRICT
COMBINED STATEMENTS OF REVENUE AND EXPENSES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2005**

	<u>6/30/05</u>	<u>6/30/04</u>
REVENUE		
Tax Revenues (Note G)	\$ 27,761	\$ 22,941
Interest Income	<u>10,143</u>	<u>4,587</u>
Total Revenue	37,904	27,528
EXPENSES		
Accounting	1,400	1,300
Office Expense	37	37
Bank Service Charges	0	2
Tax Assessments – Others (Note G)	7,729	2,287
Tax Assessments – Carriage Costs (Note G)	16,579	11,054
Interest	220	0
Insurance	<u>1,872</u>	<u>1,872</u>
Total Expenses	27,837	16,552
OPERATING INCOME (LOSS)	10,067	10,976
OTHER GAINS AND LOSSES		
Gain on Sale of Irrigation Water	<u>134,761</u>	<u>886,349</u>
Total Other Gains and Losses	<u>134,761</u>	<u>886,349</u>
TOTAL NET INCOME	<u>144,828</u>	<u>897,325</u>
BEGINNING FUND BALANCE	<u>2,987,056</u>	<u>2,089,731</u>
ENDING FUND BALANCE	<u><u>\$ 3,131,884</u></u>	<u><u>\$ 2,987,056</u></u>

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**LEHI METROPOLITAN WATER DISTRICT
COMBINED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2005**

	<u>6/30/05</u>	<u>6/30/04</u> ‘
INCREASES IN CASH		
Cash Flows From Operating Activities		
Tax Revenues, net of Assessments	\$ 3,453	\$ 9,599
Interest Income	10,143	4,587
Operating Expenses	<u>(3,529)</u>	<u>(3,211)</u> ‘
Net Cash Provided (Used) From Operations	10,067	10,976
Cash Inflows From Sale of Inventory	355,928	2,172,214
Cash Inflows From Water Deposits	<u>-</u>	<u>1,000</u> ‘
TOTAL INCREASES IN CASH	<u>365,995</u>	<u>2,184,190</u> ‘
DECREASES IN CASH		
Cash Used for Fieldcrest Bond	-	(1,005,300)
Cash Used to Reduce Debt	(138,700)	(200,000)
Cash Used For Water Inventory Purchases	<u>(159,411)</u>	<u>(753,880)</u> ‘
TOTAL DECREASES IN CASH	<u>(298,111)</u>	<u>(1,959,180)</u> ‘
NET CHANGE IN CASH BALANCE	67,884	225,010
BEGINNING CASH BALANCE	<u>496,520</u>	<u>271,510</u> ‘
ENDING CASH BALANCE	<u>\$ 564,404</u>	<u>\$ 496,520</u> ‘
Reconciliation of Total Income to Net Cash Provided by Operations		
Net Income	\$ 144,828	\$ 897,325
Less Gain on Sale of Water Inventory	<u>(134,761)</u>	<u>(886,349)</u> ‘
NET CASH PROVIDED BY OPERATIONS	<u>10,067</u>	<u>10,976</u> ‘

The accompanying notes are an integral part of these financial statements.
See the accompanying accountant's compilation report.

LEHI METROPOLITAN WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A: BASIS OF ACCOUNTING & FISCAL YEAR

These financial statements are prepared on the accrual basis of accounting. All accrued revenue and expenses have been recorded. LMWD uses a fiscal year of July 1 to June 30.

NOTE B: TAXES

LMWD is a tax-exempt organization under IRS regulations. No taxes or filings are required with the IRS.

NOTE C: LONG TERM SAVINGS

Cash is used for operations and further purchases of shares of water as they become available. Cash in checking is insured by the FDIC. Long term savings are invested in the Utah Public Treasurer's Fund. This fund is protected and invested in accordance with Utah laws. At June 30, 2005 it bore interest at 3.18 percent.

NOTE D: INVENTORY

Inventory investments by LMWD as of June 30, 2005 and 2004 consist of the following:

2005 \$	2005 Acre Ft	2004 \$	2004 Acre Ft	
420,617	338.19	416,435	310.77	Lehi Irrigation
219,908	183.90	219,908	183.90	Spring Creek Irrigation
8,721	4.80	8,721	4.80	Highland Conservation Water
48,000	20.00	48,000	20.00	Provo River Water
93,845	82.77	93,845	82.77	Little Deer Creek
9,000	30.00	9,000	30.00	Pioneer Development Church Well
587,773	492.00	658,158	452.58	East Jordan Utah Lake * #
3,700	2.50	3,700	2.50	Carlton Springs
3,077	2.00	3,077	2.00	Clark Well Water
66,861	43.70	66,861	43.70	New Survey Well
11,600	7.25	11,600	7.25	Jay Garlick Well
2,500	1.30	17,500	9.10	North Bench
9,166	7.10	9,166	7.10	John Broadbent
8,293	2.00	8,293	2.00	Elwyn Peck Well
27,592	13.65	27,592	13.65	American Fork Irrigation
6,080	2.60	6,080	2.60	Steve Glezos Well
18,000	10.10	18,000	10.10	Bill Freeland Well
16,947	8.07	0	0.00	Brimley Well
2,500	1.00	0	0.00	Keith Nichol Well
\$1,564,180	1,252.93	\$1,625,936	1,184.82	Total

* Physical inventory of share certificates at June 30, 2005 resulted in the following unit adjustment: East Jordan; 87.82 unit increase. This adjustment reflects a unit adjustment only with no total dollar value change.

A trade is pending related to East Jordan Utah Lake water shares. The trade is expected to consist of giving 492 (previously reported as 429) units of East Jordan Utah Lake to a North Utah Lake Developer (these shares have been provided to developer Lloyd Brooks) and receiving an undetermined number of well water rights from the same developer (these units have not yet been received). This transaction was anticipated to be complete by June 30, 2005 but was not. The transaction will be reported on next year's financial statements once the transaction is completed.

Water units are unrestricted for use by LMWD in satisfying the district's purpose.

NOTE E: FIELDSTONE BOND

A legal agreement was entered into in April 2004 between LMWD and Fieldstone Partners, LLC in which 713 (previously reported as 314.60) units of East Jordan Utah Lake were provided in exchange for \$349,400 (previously reported as 300,000) cash down and \$1,005,300 in an Escrow Bond held by KeyBank. The bond was to be satisfied within one year, but had not been at June 30, 2005. As a subsequent event, the bond was satisfied in the fall of 2005.

NOTE F: REFUNDABLE WATER DEPOSIT

Refundable deposits were collected in fiscal year 2000 – 2001 (\$1,000) and fiscal year 2003 – 2004 (\$1,000) which are expected to be applied toward the purchase of water shares. The deposits are payable on demand.

NOTE G: TAX REVENUES AND ASSESSMENTS

Tax revenues represent monies received from local government owners of water units. These amounts are accordingly paid out in assessments to property taxing agencies. In addition, assessment figures include expenditures for water units held by LMWD. Included in revenues is \$16,579 of carriage costs related to Lehi Irrigation water which was then remitted to Central Utah Water.

NOTE H: COMPONENT REPORTING REQUIREMENTS

Lehi Metropolitan Water District does not meet criteria for component unit reporting outlined by the GASB Codification Section 2100. It operates independently from the City of Lehi, reports independently, elects its own board members, and requires no oversight from them.